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United Nations common system

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Implementation of the new common system compensation package in the United Nations Secretariat

Note by the Secretary-General

Summary

On 23 December 2015, the General Assembly approved the proposals of the International Civil Service Commission on the common system compensation package (see A/70/30, chap. VI, sect. C), subject to the provisions contained in its resolution 70/244, and decided that unless otherwise established therein, the changes to the compensation package should come into force on 1 July 2016. It further decided that the proposed unified base/floor salary scale structure, as recommended by the Commission, should come into force on 1 January 2017 and that the changes to the education grant should come into force for the school year in progress as at 1 January 2018.

The present note provides a summary of the technical and operational challenges faced by the Secretariat that will cause unavoidable delays in implementing some of the elements of the new compensation package, and a proposal for aligning the mandated effective dates of implementation with the actual implementation dates so as to avoid the need for any retroactivity.

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I. Introduction

1. From January to April 2016, the Secretariat carefully reviewed and analysed in-depth the policy and operational implications of implementing the new compensation package. While there is no policy impediment, however, as a direct result of the expected delivery dates of the technical solutions by the outside vendor (SAP) for the elements of the new compensation package and taking into account the operational reality of the technical and operational challenges involved to adjust its enterprise resource planning system (Umoja), the Secretariat will not be in a position to implement some of the required changes until a later date, as described below and summarized in the annex to the present report.

II. Implementation challenges faced by the United Nations Secretariat

A. Policy framework readiness

2. The legal and policy framework required for implementation could be in place by the dates mandated by the General Assembly.

3. The General Assembly already approved, in its resolution 70/256, the amendments to the Staff Regulations required for 1 July 2016. The provisional Staff Rules could be promulgated by the Secretary-General prior to 30 June 2016 and will be reported to the Assembly during the seventy-first session for its approval. Further amendments to the Staff Regulations and Rules required for 1 January 2017 and 1 January 2018, respectively, will be submitted to the Assembly at its seventy-first and seventy-second sessions, as appropriate, for its approval. Revisions required to existing administrative issuances and the development of new administrative issuances for the new elements of the compensation package can also be completed in a timely manner.

B. Technical and operational constraints to enterprise resource planning adjustments: Umoja readiness

4. In the course of the deliberations during the main part of the seventieth session on the steps required for the implementation of the recommendations of the International Civil Service Commission, the Secretariat had indicated that the earliest implementation dates being considered for some elements were subject to the determination of whether any enhancements were required for the enterprise resource planning system, Umoja.

5. Since January 2016, the Secretariat, along with other organizations[1] of the common system using SAP, has worked diligently to provide all detailed specifications required by SAP by the end of February 2016. At the end of March 2016, SAP provided estimated delivery dates of the solution (see column 2 of the annex to the present report). It is now clear that these SAP delivery dates will be too

[1] The United Nations Educational, Scientific and Cultural Organization, the United Nations Children's Fund, the United Nations Industrial Development Organization and the World Food Programme.

close to the mandated effective dates to provide sufficient lead time to conduct all required activities related to the implementation of two of the elements to be completed by 1 July 2016 and of all elements to be completed by 1 January 2017.

6. While the Secretariat already has an implemented version of SAP that is compatible with such upcoming changes, once the solutions are delivered by SAP, the Secretariat will still need to perform the following activities prior to deployment:

(a) Installation of SAP-provided software changes, which will be done as soon as SAP delivers each set of software changes;

(b) Technical verification of software changes involving the review of all human resources, payroll and travel management forms, reports, interfaces and software enhancement developed in-house, to identify those that require updating as a consequence of the new computer code delivered by SAP;

(c) Technical analysis of the impact on other areas of the enterprise resource planning solution to confirm whether there is any impact on other modules that are closely integrated with human resources, payroll and travel management, to ensure that there is no negative effect. This is particularly critical for integration with the organizational structure, finance and budget modules;

(d) Adjustments of any affected forms, reports, interfaces and enhancements software developed in-house, together with updates of related technical documentation and unit testing;

(e) Preliminary technical testing of the solution, including components delivered by SAP, as well as further adjustments made to software developed in-house, to verify the delivery of business requirements and operability, prior to involving a large team of testers. This test will require dialogue with SAP and other systems integrators to correct defects and make any necessary adjustments;

(f) Completion of data validation, collection and adjustments. This activity can be initiated prior to the delivery of the software but can only be completed just before it is deployed;

(g) Completion of test scenarios within Umoja and testing of the functionalities, which can only be undertaken after the new solution is received from SAP and implemented in the United Nations development environment. Test scenario development includes step-by-step instructions to be executed in a repetitive manner for various sets of data, providing examples of the system screens as well as expected results, which will allow testers to determine if the tests were successful or if there is a need to record a defect and monitor it until it is resolved. Testing includes full end-to-end regression testing of the complete human resources, travel and payroll components of the solution, including their integration to the finance and budget modules. Regression testing consists of checking the other components of the solution to ensure that there are no unintended consequences, so that new computer code does not damage software that should have remained as-is. The reason for these comprehensive tests is because the Umoja solution is fully integrated. The following test cycles are envisaged according to a mandated implementation date: end-to-end product integration test (one cycle); payroll verification tests (at least one cycle, although the recommend number is at least three); and user verification test (one cycle). The main challenge with the

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comprehensive testing exercise is that the payroll is normally tested for every earnings and deductions report and for every staff member, and the results are compared with the results of equivalent calculations in the legacy system. As a result of the comprehensive package change, there will be no benchmark with which one can easily compare 100 per cent of the results. Instead, test cases will be prepared manually using Excel spreadsheets, and calculations will be verified one by one for a subset of staff members. In addition, SAP had recommended that six months be invested in completing comprehensive tests to ensure that the system changes are deployed successfully;

(h) Completion of training materials and documentation, which can only be finalized upon completion of the testing of the new technical solution;

(i) Delivery of end-user training covering both the policy and the system components for a large global population of human resources practitioners. System components can only be documented once testing is complete.

7. On the basis of the SAP delivery dates, the Secretariat will not be able to implement the system changes by the mandated effective dates for two elements scheduled for 1 July 2016 and for all elements scheduled for 1 January 2017 (set out in bold in annex), as there would be no time for the Secretariat to perform the required implementation of these changes, an assessment of changes to Secretariat-specific customizations, technically required testing of the new solution, development of the training materials or other predeployment activities.

8. As the actual implementation by the Secretariat of two elements for 1 July 2016 and of all elements for 1 January 2017 will take place later than the effective dates mandated by the General Assembly for the implementation of those elements, there will be a need for retroactive actions unless the mandated dates are changed. It would be practically impossible to retroactively and accurately reprocess, recalculate and pay or recover any underpayments or overpayments of entitlements that would have occurred during the period between the effective mandated dates and the actual implementation dates of the new SAP solution, for the following reasons:

(a) Within an individual's payroll calculation and entitlement, it is difficult to differentiate the pluses and the minuses, as there may be combinations of both affecting the same staff member. Situations of net retroactive recoveries are likely to lead to numerous requests for review by the payroll team to demonstrate the accuracy of the calculations;

(b) Recoveries for anyone who has separated may need to be manually written off;

(c) There would be an additional challenge and a risk of inequitable treatment for staff who would separate between the effective mandated dates and the actual implementation dates and for those who would be subject to retroactive payments or recoveries;

(d) The staff who would join during that period would sign a letter of appointment with a certain salary amount, and immediately after could be informed that additional money would be first paid and then later recovered from their pay to account for retroactivity owing to the imminent change;

(e) Attempts to replace the automatic calculations with manual adjustments during the period between the effective mandated dates and the actual implementation dates would not be sustainable owing to the high level of additional skilled resources required to handle manual calculations and to the high potential for inaccuracies.

9. Furthermore, for all staff who would separate between the effective mandated dates and the actual implementation date, there might be an impact on their pension contribution as well as their pension payment; for example, for those staff whose step would be modified as of the effective date of the change. Manual work and coordination would be needed with the United Nations Joint Staff Pension Fund to adjust the pension of affected staff members retroactively. This would be a significant additional burden for the Pension Fund, as separations that had already been processed by both the United Nations and the Pension Fund, with a monthly pension or a full withdrawal having been calculated and activated, would need to be redone, and the Pension Fund would need to recalculate pension entitlements and inform former staff.

10. In the light of the challenges described above relative to retroactivity, the Secretary-General proposes that the effective mandated dates for implementation be aligned with the actual implementation dates so as to avoid any need for retroactivity. Given the size of the Organization and magnitude and complexity of the changes involved, it would simply not be operationally possible for the Secretariat to perform the resulting retroactivity actions.

C. Actual implementation timeline in four phases

11. In the light of the technical and operational constraints described above, and with a view to minimizing any actual implementation delay, the Secretariat will implement the changes in four phases on the basis of when each phase of the new compensation package could be available in production following the expected delivery dates of the technical solutions by SAP, as set out in the annex to the present report.

Phase 1: 1 July 2016

12. The Secretariat will implement as at 1 July 2016 all elements mandated by the General Assembly in its resolution 70/244 to be implemented by such date, with the exception of the new mobility incentive and the discontinuation of the non-removal allowance. These two elements need to be implemented together and are heavily dependent on the computer codes to be delivered by SAP on 15 June 2016. It will be impossible to complete the required predeployment activities listed in paragraph 6 above within a two-week time frame. There will also need to be substantial effort towards data validation and data cleaning before implementing the new mobility incentive. The implementation of all other elements as at 1 July 2016 is possible owing to the very limited changes required to the SAP code, which will be delivered earlier, on 31 May 2016.

Phase 2: 1 November 2016

13. The actual implementation of the new mobility incentive and the discontinuation of the non-removal allowance will be delayed by four months.

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Should the effective date of implementation be changed to 1 November 2016 instead of 1 July 2016, the provisional Staff Rules and revised administrative issuances for these two elements would be promulgated by the Secretary-General with an effective date of 1 November 2016. This would eliminate the need for any retroactivity.

Phase 3: 1 September 2017

14. With regard to the unified base/floor salary scale structure, the new step increments periodicity, the discontinuation of the accelerated step increments and the related new allowances (i.e., the dependent spouse and the single-parent allowances), the actual implementation will be delayed by eight months, until 1 September 2017 instead of 1 January 2017, as a direct result of the expected delivery dates of the SAP technical solution on 31 October 2016 and 30 November 2016. Should the effective date of implementation be changed to 1 September 2017 rather than 1 January 2017, the amended Staff Regulations and Rules, subject to approval by the General Assembly at its seventy-first session, and the new and revised administrative issuances would be promulgated with an effective date of 1 September 2017, thereby avoiding any legal liability on retroactivity.

Phase 4: 1 January 2018

15. The implementation of the new education grant scheme will be implemented in accordance with paragraph 25 of General Assembly resolution 70/244 for the school year in progress as at 1 January 2018.

16. The new mandatory age of separation for staff recruited prior to 1 January 2014 will be raised to 65 by 1 January 2018, taking into account the acquired rights of staff, in accordance with section I of General Assembly resolution 70/244.

D. Financial implications

17. In the statement submitted by the Secretary-General on the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2015 (A/C.5/70/3), the budgetary implications of the new common system compensation package, as recommended by the Commission, were estimated at a net reduction of $1,060,000 under the proposed programme budget of the United Nations for 2016-2017 and a net increase of $40,000 for the budgets of peacekeeping operations for the financial period 1 July 2016 to 30 June 2017, taking into account projected implementation dates indicated in paragraph 6 of the statement.

18. The General Assembly, in its resolution 70/244, approved the recommendations of the Commission, subject to the provisions contained in the resolution. The financial implications of the decisions of the Assembly in its resolution 70/244 are estimated at a net reduction of $1,900,000 under the proposed programme budget of the United Nations for 2016-2017 and a net increase of $4,600,000 for the budgets of peacekeeping operations for the financial period 1 July 2016 to 30 June 2017.

19. However, should the effective dates of implementation be aligned with the actual implementation dates, as proposed in paragraphs 13 and 14 above, the

financial implications would amount to an approximate net reduction of $4,500,000 in salaries and common staff costs and charges to the programme budget for the biennium 2016-2017 and an approximate net reduction of $6,900,000 of such charges to the budgets of peacekeeping operations for the financial period 1 July 2016 to 30 June 2017, which would be reflected in the context of the related budget performance reports. It should be noted that the full net reduction in salaries and common staff costs charges resulting from the implementation of the new common system compensation package, after the transitional measures end in the sixth year of implementation (as explained in paragraph 5 of the statement of the Secretary-General (A/C.5/70/3)), would be realized from 2023 onward, instead of 2022.

E. Impact on other organizations of the United Nations common system

20. As indicated in paragraphs 13 and 14 above, should the effective dates of implementation be changed to 1 November 2016 (rather than 1 July 2016) for the new mobility incentive and the discontinuation of the non-removal elements, and to 1 September 2017 (rather than 1 January 2017) for the implementation of the new unified base/floor salary scale structure and related entitlements and allowances, the Secretary-General would promulgate the relevant amended Staff Regulations and Rules with an effective date of 1 November 2016 and 1 September 2017, respectively. Accordingly, the organizations of the United Nations common system that are governed by the United Nations Staff Regulations and Rules[2] would be directly affected by the Secretariat's delay and by any adjustment to the mandated implementation dates that are approved by the General Assembly, while other organizations of the United Nations common system that have their own regulations and rules would not.

III. Actions to be taken by the General Assembly

21. The General Assembly is requested to align the effective dates of implementation with the actual dates of implementation and to approve the following new effective dates for implementation of some of the elements of the common system compensation package:

(a) 1 November 2016 (instead of 1 July 2016) for the introduction of the new mobility incentive and the discontinuation of the non-removal element;

(b) 1 September 2017 (instead of 1 January 2017) for the implementation of the proposed unified base/floor salary scale structure, the new step increments periodicity, the discontinuation of the accelerated step increments and the related new allowances (i.e., the dependent spouse and the single-parent allowances).

[2] The United Nations Development Programme, the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees, the United Nations Population Fund, the United Nations Office for Project Services and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

Annex

Summary of operational implementation of the new compensation package

Mandated effective implementation dates pursuant to General Assembly resolution 70/244	*SAP delivery dates of the technical solution (computer codes)[a]*	*Actual implementation dates*
Phase 1 — 1 July 2016	31 May 2016: delivery of the code for hardship allowance, non-removal allowance, non-family service allowance, repatriation grant	Phase 1: 1 July 2016 — no delay
Discontinuation of accelerated home leave		
Settling-in grant (replacing the assignment grant)		
Relocation shipment		
Repatriation grant (5-year threshold rather than 1)		
Hardship allowance		
Non-family service allowance (replacing the non-family additional hardship allowance)		
Mobility incentive (replacing mobility allowance)	**15 June 2016:** delivery of the code for mobility incentive and settling-in grant	**Phase 2: 1 November 2016 — 4 months' delay**
Discontinuation of the non-removal element		
Phase 2 — 1 January 2017	**31 October 2016:** delivery of only 80 per cent of the requirements	**Phase 3: 1 September 2017 — 8 months' delay**
Unified salary scale (including new step periodicity)	**30 November 2016:** delivery of the remaining 20 per cent of the requirements	
Discontinuation of accelerated within-grade step increments		
Transitional allowance		
Dependent spouse allowance		
Single-parent allowance		
Recruitment incentive		

Mandated effective implementation dates pursuant to General Assembly resolution 70/244	*SAP delivery dates of the technical solution (computer codes)*[a]	*Actual implementation dates*
Phase 3 — 1 January 2018 Education grant (new scheme) Special education grant (ceiling changes) New mandatory age of separation (65)	31 March 2017: delivery of the new education grant solution	Phase 4: 1 January 2018 — no delay

Note: Delayed elements indicated in bold.

[a] Estimated delivery dates provided by the outside vendor (SAP) as at 12 April 2016.